



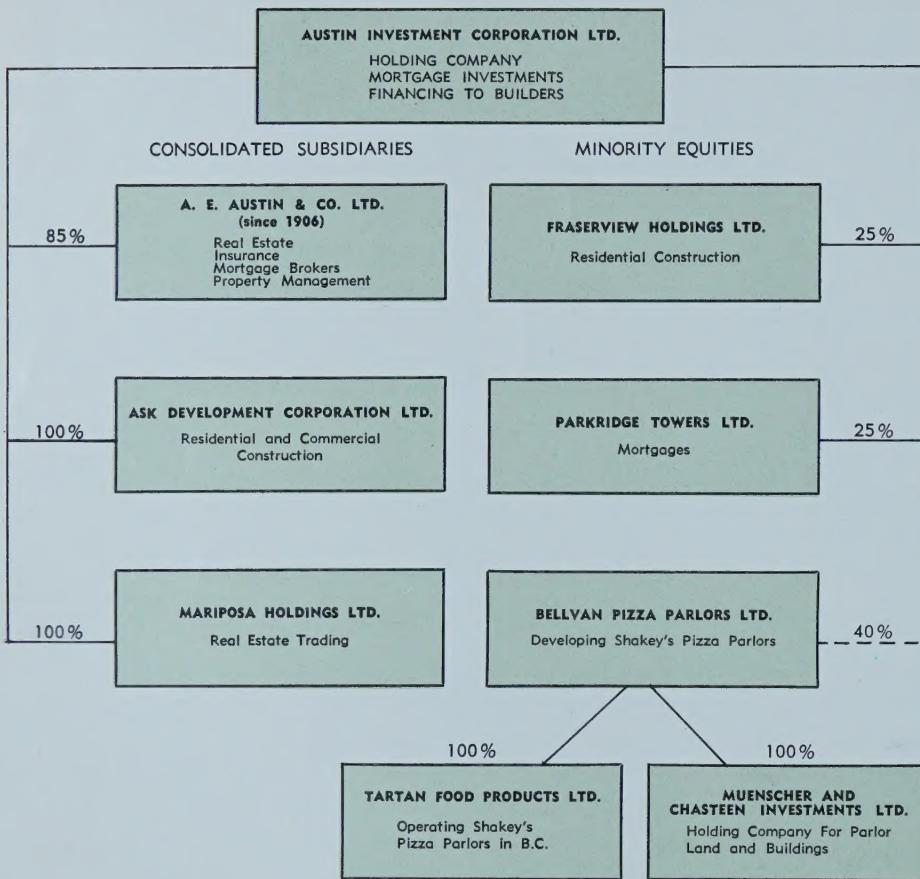
AUSTIN

INVESTMENT CORPORATION LTD.

ANNUAL REPORT

1969

THE AUSTIN GROUP
CORPORATE STRUCTURE



DIRECTORS AND OFFICERS

RONALD R. HUNTER,
Managing Director

ROWAT S. HUNTER,
President

WILFRED T. MOONEY,
Vice-President

THOMAS LINDSAY,
Treasurer

HARRY T. WELLS,
Secretary

ROBERT L. SAUNDERS

REGISTRAR AND TRANSFER AGENTS

NATIONAL TRUST COMPANY,
Vancouver

AUDITORS

YOUNG, PEERS, MILNER & CO.
Chartered Accountants, Vancouver

SOLICITORS

KINCAID, EPSTEIN & COMPANY,
Vancouver

STOCK LISTED

VANCOUVER STOCK EXCHANGE



A Report from Your Managing Director

I have been looking forward with great anticipation to making this report on our first year of operations as a Public Company. The operating results and growth in the past year have brought more personal satisfaction to me than any other year since the incorporation in 1957 of Austin Investment Corporation Ltd. There have been numerous changes within our Corporate Group in the past year, and I will briefly review these developments.

In the fall of 1968, the Directors formulated plans to convert A.I.C. to a Public Company and to offer a primary issue of common shares. A successful primary issue was completed early in March, 1969 and shortly thereafter the Company's common shares became listed on the Vancouver Stock Exchange. The capital obtained through this primary issue allowed the Company to substantially increase its mortgage portfolio and to attain further diversification. A wholly-owned construction subsidiary, Ask Development Corporation Ltd. was incorporated in April and is now active in residential and commercial construction. Mariposa Holdings Ltd. was also incorporated as a wholly-owned subsidiary in April to conduct and finance the trading of Real Estate. The operations of these two new Companies naturally complement the operations conducted by our Real Estate subsidiary, A. E. Austin & Co. Ltd. During the past fiscal year the Directors were also able to negotiate the acquisition of an additional 34% interest in A. E. Austin & Co. Ltd., increasing from 51 to 85 the percentage of equity in this subsidiary. A new real estate sales office was also opened in North Vancouver.

The Company's major diversification during the past year was the agreement to acquire a 40% interest in the British Columbia operations of Shakey's Pizza Parlors. This agreement is awaiting the formal ratification of the United States Bureau of Internal Revenue, and at the date of this report all indications are that the agreement will be approved. Following this approval, A.I.C. will be issued 160,000 common shares of Bellvan Pizza Parlors Ltd., the parent of three companies involved in the construction and operation of the Parlors in B.C. The other shareholders in Bellvan are Mr. Edward Chasteen and Mr. Frederick Muenscher of Bellingham, Washington, and Mr. Paul Chronister, who has moved from Bellingham to the Vancouver area to become the General Manager of the B.C. operations. Chasteen and Muenscher own and operate five Shakey's Pizza Parlors in the State of Washington and have established an enviable record of success in this business since 1960.

We are pleased to report that the past fiscal year has shown a dramatic increase in the Company's operating results. The consolidated net income was \$51,240. for the year ended September 30th, 1969 as compared to \$16,157. in the previous year, an increase of 217%. This represents per share earnings of 5.9 cents in the current year as compared to 2.3 cents in the prior year. The consolidated net income before depreciation and income taxes was \$83,220. in the 1969 fiscal year as compared to \$30,239. in the 1968 fiscal year. As mentioned in the notes to the financial statements, A.I.C. will also become entitled to 40% of the net income since May 1, 1969 from the B.C. operations of Shakey's Pizza Parlors, once the investment agreement is ratified by the U.S. Bureau of Internal Revenue. The total assets of the Company almost doubled during the year, increasing from \$542,700 to \$1,021,522.

A. E. Austin & Co. Ltd., has been a member of the ASK International Network of Realtors since the beginning of 1968, and the Directors believe that the use of the ASK computer then acquired has contributed significantly to the growth of the real estate sales volume. The subsidiary has the only computerized Real Estate operation on the mainland of British Columbia. The management keep informed of new sales and operating techniques through their association with other ASK Realtors in nearly every major city throughout Canada and the United States, who are not in direct competition. The Company is also obtaining new business through the 'Man on the Move' program conducted from ASK headquarters in Baltimore. This is a 'package move' concept designed to expedite the transfer of executives and salesmen between cities, and is operated in conjunction with Hilton and C.P. hotels, Trans-World and C.P. airlines, North American Van Lines and Hertz Rent-a-Car. During the past few months, A. E. Austin & Co. Ltd. became the first Real Estate Company in Canada to install a two-way radio communications system between the Computer Center and the sales cars. Pictures and details explaining the operation of the radio and computer systems are on the following pages of this Annual Report.

The earnings projected by management for the next fiscal year indicate a continuance of the rapid growth within the Austin Group. The Investment and Construction divisions are expected to show a substantial increase in earnings. The Real Estate subsidiary has accomplished a 42.5% increase in sales volume in the first two months of the new fiscal year as compared to the same months of 1968, and there is every indication that the sales volume and profits of this division will continue to show substantial increases.

The Board of Directors have for some time had plans for the Company to diversify with investments in apartment, condominium and recreational developments. Due to the present scarcity and high cost of debt financing for such projects, and the weak condition of the stock market, the Directors are cautiously studying the present feasibility of financing such projects. We are also aware of the possibility of optioning choice properties for the future and are studying new concepts in such developments. Your Directors are also anxious for the Company to acquire equity positions in other successful businesses, and to assist in completing such acquisitions without a heavy cash investment, we are asking the shareholders at the forthcoming annual meeting to approve an increase in the Company's capitalization.

As Managing Director of the Austin Group, I wish to extend a sincere thank you, on behalf of the Directors, to our shareholders, employees and clients for your continued loyalty and support. Your management appreciates the confidence you have placed with us.

On behalf of your Board of Directors

RONALD R. HUNTER, Managing Director



HEAD OFFICE BUILDING

Pictured above is the Company's head office building at 1435 Kingsway at Knight Road, Vancouver. The main floor comprises the reception area, Computer Centre, conference and meeting rooms, executive offices, Conveyancing and Construction Departments and rooms for the preparation of the Computer data. The second floor includes the general sales area, sales managers' offices, Finance, Insurance and Property Management Departments, and the general offices. Ample parking for clients is provided in a lot adjacent to the building.

A. E. Austin & Co. Ltd. also operates a branch office at 1348 Marine Drive, North Vancouver.



Mrs. Julie Robinson is the personable Computer Hostess in Austin's Computer Centre at 1435 Kingsway. The ASR Computer contains complete information on some 6000 homes for sale in the Lower Mainland. Once a customer has in mind neighborhood and the features he desires, the houses are selected on the push-button control console. The machine will scan 1,000 listings per minute until all houses meeting his requirements are separated. The Computer produces complete details and a picture on each home. It also assures vendors that all prospective buyers have considered the purchase of their house.

The unit sitting on top of the Computer is the base unit for the Company's two-way radio communications system with the salesmen's vehicles. This radio communications system was installed in the fall of 1969 and is a first in Canadian real estate.



Here is an A. E. Austin salesman in the process of programming his clients' requirements through the Computer by using his two-way radio. Within two minutes of receiving the clients' preferences as to area, price and features over the radio, the Computer Hostess can relay back to the salesman the address and complete details of each house meeting the clients' requirements.

This saves numerous hours for both the salesmen and his clients, since the clients do not have to come to the Computer Centre to be programmed and they will only be shown houses which have all the features they deem necessary. If the clients express an interest in viewing a certain house, the Computer Hostess can immediately telephone to arrange an appointment with the owners, while the salesman is proceeding towards the house with his clients.

A radio base unit is also located at Austin's main switchboard so that telephone messages on advertisements and "for sale" signs can be relayed to the salesmen immediately. The salesmen can also quickly obtain information from management on the availability and cost of financing, insurance, conveyancing, etc. by radio contact with the office. In this way Austins are now able to provide faster and more efficient service to their clients than any other real estate company in B.C.

AUSTIN INVESTMENT CORPORATION LIMITED AND SUBSIDIARY COMPANIES
 CONSOLIDATED BALANCE SHEET
 SEPTEMBER 30, 1969
 (with comparative figures at September 30, 1968)

	ASSETS	1969	1968
CURRENT ASSETS			
Cash		\$ 162,952	\$ 105,351
Less: Clients' funds held in trust		134,425	104,196
Accounts receivable (net of allowances \$3,400 - 1969; \$8,876 - 1968)		\$ 28,527	\$ 1,155
Notes and loans receivable		154,425	126,087
Construction financing to builders		—	31,952
Construction financing to Fraserview Holdings Ltd.		57,401	—
Inventory of trade properties		18,895	—
Inventory of lots and work in progress, at cost		24,841	—
Accrued interest receivable		109,210	32,410
Prepaid and deferred expenses		4,053	1,718
Current portion of agreements and mortgages receivable		8,256	13,333
		61,755	25,450
		\$ 467,363	\$ 232,105
AGREEMENTS AND MORTGAGES RECEIVABLE (Note 1)		\$ 401,286	\$ 286,676
Less: Current portion		61,755	25,450
		\$ 339,531	\$ 261,226
DEFERRED INCOME TAXES (Note 8)		\$ 2,257	\$ 3,470
INVESTMENTS AND ADVANCES			
Advances to Bellvan Pizza Parlors Ltd. (Note 2)		\$ 135,000	\$ —
Fraserview Holdings Ltd. — 3 Class "A" and 25 Class "B" common shares (25% interest), at cost		28	28
25% of net income since date of investment		1,209	—
Advances		—	11,740
Parkridge Towers Ltd. 2 common shares (25% interest), at cost		16,942	—
25% of net income since date of investment		1,908	—
		\$ 155,087	\$ 11,768
FIXED ASSETS			
Automobiles	Cost	Accumulated Depreciation	
\$ 6,280	\$ 2,543		
Office furniture and equipment	47,752	31,338	
967	97		
Construction equipment	16,135	2,631	
13,377	407		
	\$ 84,511	\$ 37,016	\$ 47,495
INCORPORATION AND ORGANIZATION EXPENSES			\$ 33,853
			\$ 9,789
			\$ 278
Approved on behalf of the Board:			
R. R. HUNTER, <i>Director</i>			
R. L. SAUNDERS, <i>Director</i>		\$ 1,021,522	\$ 542,700

AUSTIN INVESTMENT CORPORATION LIMITED AND SUBSIDIARY COMPANIES
 CONSOLIDATED BALANCE SHEET
 SEPTEMBER 30, 1969
 (with comparative figures at September 30, 1968)

	LIABILITIES	1969	1968
CURRENT LIABILITIES			
Bank overdraft		\$ 18,850	\$ —
Bank loan (Note 3)		163,000	58,500
Accounts payable		23,820	22,306
Commissions payable to salesmen		62,629	69,651
Employee deductions payable		3,550	—
Due on lot purchases		—	2,189
Due to Parkridge Towers Ltd.		2,767	—
Due on purchase of shares (Note 4)		6,092	—
Corporation income taxes payable		21,344	5,574
Accrued interest payable		3,797	2,345
Deferred real estate income		9,617	11,060
Current portion of long-term liabilities		3,380	3,468
		\$ 318,846	\$ 175,093
LONG-TERM LIABILITIES			
Promissory note, payable at \$161.76 per month including interest at 6%		\$ 8,564	—
Less: Current instalments payable		1,480	\$ 8,565
Loans and notes payable: (Note 5)			
R. S. Hunter, interest at 8%, payable monthly		\$ 31,200	—
R. R. Hunter, interest at 8%, payable semi-annually		34,121	103,018
Other		43,960	—
Debentures payable, (Note 5)		109,281	103,018
Mortgage loans payable		56,500	56,500
Less: Current instalments payable		1,900	23,958
		\$ 196,823	\$ 193,424
DEFERRED INCOME			
Unearned discount on agreements and mortgages receivable		\$ 52,697	\$ 53,937
		\$ 10,210	\$ 15,569
MINORITY INTEREST IN SUBSIDIARY COMPANY			
SHAREHOLDERS' EQUITY			
Share Capital: (Note 6)			
Authorized — 250,000 7% cumulative redeemable preference shares			
of \$1.00 each			
— 1,000,000 common shares of no par value		\$ 17,500	\$ 17,500
Issued — 17,500 preference shares		308,613	10,013
— 1,000,000 common shares			
		\$ 326,113	\$ 27,513
Less: Subscriptions receivable		—	4,413
Retained Earnings			
Balance, September 30, 1968 (note 8)		\$ 70,144	\$ 23,100
Add: Net income for the year		51,240	—
		\$ 121,384	\$ 121,384
Less: Dividends paid — preference shares		\$ 1,225	\$ 70,144
Adjustment of prior years income		542	119,617
Excess of cost over book value of shares in subsidiary company		1,767	(2,784)
		\$ 442,946	\$ 104,677
		<u>\$ 1,021,522</u>	<u>\$ 542,700</u>

AUSTIN INVESTMENT CORPORATION LIMITED AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1969

1. Agreements and Mortgages Receivable

The agreements and mortgages receivable are secured by certain properties and are subject to prior charges of \$25,858. Unearned* discounts are amortized in the accounts in proportion to the principal payments received during each period.

2. Advances to Bellvan Pizza Parlors Ltd.

The company has advanced \$135,000 to Bellvan Pizza Parlors Ltd. (operators of Shakey's Pizza Parlors in B.C. under an agreement whereby it will obtain a 40% interest in that company. This agreement cannot be consummated until approval concerning the income tax position of the other shareholders of Bellvan is received from the U.S. Internal Revenue Service. If approval is obtained \$80,000 of the funds advanced will be converted to share capital and the remaining \$55,000 will constitute shareholder loans.

No share of the income of Bellvan accruing to our company since May 1, 1969 has been shown in the accounts and will not be recorded until the agreement has been ratified and completed.

3. Bank Loans

The bank loans of \$163,000 are secured by the hypothecation of a number of agreements and mortgages receivable.

4. Due on Purchase of Shares

In September of 1969 the company purchased an additional 34% interest in A. E. Austin & Co. Ltd. for \$20,020 cash and 5,000 common shares of which \$1,092 and 5,000 shares are still to be paid. The shares will be issued when an increase in authorized capital has been approved. The company now holds 85% of the issued common shares of A. E. Austin & Co. Ltd.

The additional 34% of the A. E. Austin & Co. Ltd. net income for the current year has been included in the consolidated income statement resulting in an increase of \$12,340 in consolidated net income for the current year.

5. Long-Term Liabilities

The loans and notes payable totalling \$109,281 are not secured and carry varying rates of interest. Repayment of the loans and notes is to be made at times varying from three to six months after demand by the note holder.

The company is authorized to issue \$100,000 Series "A" debentures of which \$56,500 have been issued to September 30, 1969. Interest at 7% is payable semi-annually. The debentures are secured by a floating charge on all assets of the company and are to be redeemed in instalments of 20% per year of the principal outstanding, commencing in 1972.

6. Share Capital

During the year 298,600 common shares were issued to the public for \$298,600 cash.

7. Contingent Liabilities

A. E. Austin & Co. Ltd. is liable for payments of a pension to its former Managing Director of \$500 per month. The actuarial evaluation of this liability at September 30, 1969 amounts to approximately \$49,000 and the subsidiary has furnished a debenture in that amount as collateral security for payment of the pension.

8. Changes in Accounting Practice

Multiple listing service fees receivable and auditing fees payable have been recorded at September 30, 1969 resulting in a net increase in net income before taxes of \$5,522. These items were not set up in previous years.

Deferred income taxes have been set up due to depreciation being taken in previous years in excess of capital cost allowance. This resulted in an increase of \$3,077 in the opening balance of retained earnings.

9. General

In January 1966, the company entered into a 10 year employment agreement with its Managing Director, Mr. R. R. Hunter, providing for a salary to him of 10% of the net income of Austin Investment Corporation Limited before providing for income taxes.

AUSTIN INVESTMENT CORPORATION LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 1969
 (with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
REVENUE		
Real estate commissions	\$ 1,079,436	\$ 878,542
<i>Deduct:</i> Other agents' commissions	\$ 308,210	\$ 226,526
Multiple listing service fees	15,854	23,436
	\$ 324,064	\$ 249,962
	\$ 755,372	\$ 628,580
<i>Deduct:</i> Salesmens' commissions	\$ 410,167	\$ 369,813
Managers' profit sharing	65,627	51,481
	\$ 475,794	\$ 421,294
Finance department (gross)	\$ 279,578	\$ 207,286
Property management department (gross)	21,863	13,373
Conveyancing department (gross)	20,903	26,173
Interest earned	39,213	24,270
Mortgage discounts earned	53,340	32,502
Lot and house sales	7,168	10,069
<i>Deduct:</i> Cost of sales	\$ 338,687	
	331,103	7,584
Investment income	3,117	12,657
Other income	6,655	—
	\$ 439,421	\$ 331,983
EXPENSES		
Advertising	\$ 55,902	\$ 64,046
Building expenses — branch and head office	34,419	36,527
Depreciation and leasehold amortization	7,871	8,508
Interest and bank charges	25,918	18,167
Printing, stationery and office supplies	20,660	14,185
Salaries and employee benefits	122,036	108,886
Other administrative and overhead expenses	91,822	60,882
	\$ 358,628	\$ 311,201
NET INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	\$ 80,793	\$ 20,782
Income taxes payable	\$ 22,896	
Deferred income taxes	1,213	24,109
	\$ 56,684	\$ 15,208
	5,444	(949)
Minority interest in earnings of subsidiary company	\$ 51,240	\$ 16,157
NET INCOME FOR THE YEAR		
CALCULATION OF EARNINGS PER SHARE		
Average common shares outstanding	863,142	701,400
Basic earnings per common share	5.9¢	2.3¢
(a) The number of common shares outstanding during each year is calculated on the weighted semi-monthly average and is determined as follows:		
Shares outstanding from beginning of year	701,400	701,400
298,600 shares issued March 15, 1969 (298,600 x 13/24)	161,742	—
	863,142	701,400

AUSTIN INVESTMENT CORPORATION LIMITED AND SUBSIDIARY COMPANIES
 CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 1969

SOURCE OF FUNDS

Provided by operations (Note)	\$ 55,538
Principal payments received on agreements and mortgages and increase in current portion	71,044
Decrease in non-current portion of advances to Fraserview Holdings Ltd.	11,740
Advances by shareholders	5,524
Increase in loans payable (net)	739
Share capital — shares issued for cash	\$ 298,600
— subscriptions received	4,413
	<u>303,013</u>
	<u>\$ 447,598</u>

APPLICATION OF FUNDS

Purchase of agreements and mortgages	\$ 143,963
Advances to Bellvan Pizza Parlors Ltd.	135,000
Investment in Parkridge Towers Ltd.	16,942
Purchase of additional shares in A. E. Austin & Co. Ltd.	25,020
Fixed asset additions	
Office furniture and equipment	\$ 5,661
Construction equipment	967
Leasehold improvements	2,913
Radio equipment	13,377
	<u>\$ 22,918</u>
Less: Proceeds from sale of automobile	1,350
	<u>21,568</u>
Incorporation and organization expenditures	9,511
Principal payments on notes and mortgages payable	2,864
Preferred share dividends	1,225
	<u>356,093</u>
IMPROVEMENT IN WORKING CAPITAL, as below	<u><u>\$ 91,505</u></u>

WORKING CAPITAL POSITION

September 30, 1969	\$ 148,517
September 30, 1968	57,012

IMPROVEMENT DURING THE YEAR

NOTE: — FUNDS PROVIDED BY OPERATIONS

Net income for the year (before minority interest)	\$ 56,684
Add: Depreciation and amortization	\$ 7,871
Loss on sale of automobile	55
Deferred income taxes	1,213
	<u>9,139</u>
Less: Mortgage discounts earned	\$ 65,823
Net income in investments	\$ 3,117
	<u>10,285</u>
	<u><u>\$ 55,538</u></u>

AUDITORS' REPORT

To the Shareholders,
 Austin Investment Corporation Limited

We have examined the consolidated balance sheet of Austin Investment Corporation Limited as at September 30, 1969 and the consolidated statements of income and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements, supplemented by the notes thereto, present fairly the financial position of the company as at September 30, 1969 and the results of its operations and the source and application of its funds, for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent, subject to Note 8, with that of the preceding year.

Vancouver, B.C.
 December 3, 1969.

Young, Peers, Milner & Co.
 Chartered Accountants



This picture shows the Shakey's Pizza Parlor at 820 - 12th Street, New Westminster. There are now almost 400 Shakey's Parlors operating in the United States and Canada. A second British Columbia Parlor opened on November 14, 1967, at 543 Columbia Road, Coquitlam and construction is about to commence on a third Parlor on Granville Avenue in Richmond. Each is a free-standing building of approximately 4,000 square feet, with ample customer parking surrounding.



This is a view of the adult dining section in the New Westminster Shakey's Pizza Parlor. The adult sections seat 200 customers in front of a cosy fireplace. Live sing-along entertainment is provided during the evenings with the Honky-tonk piano and banjos. A separate unlicensed room accommodating 125 is provided for the use of minors. Shakey's theme is "We serve fun, also Pizza" and this is proven by the excellent food and enjoyable family entertainment which is provided in a very informal and light-hearted atmosphere.

